

"RISING AGAIN"



*Human Resource Services*



**A T L A N T A**

**Mayor's Office of Program Management**

# **Final Report**

## **Human Resources Process Review**

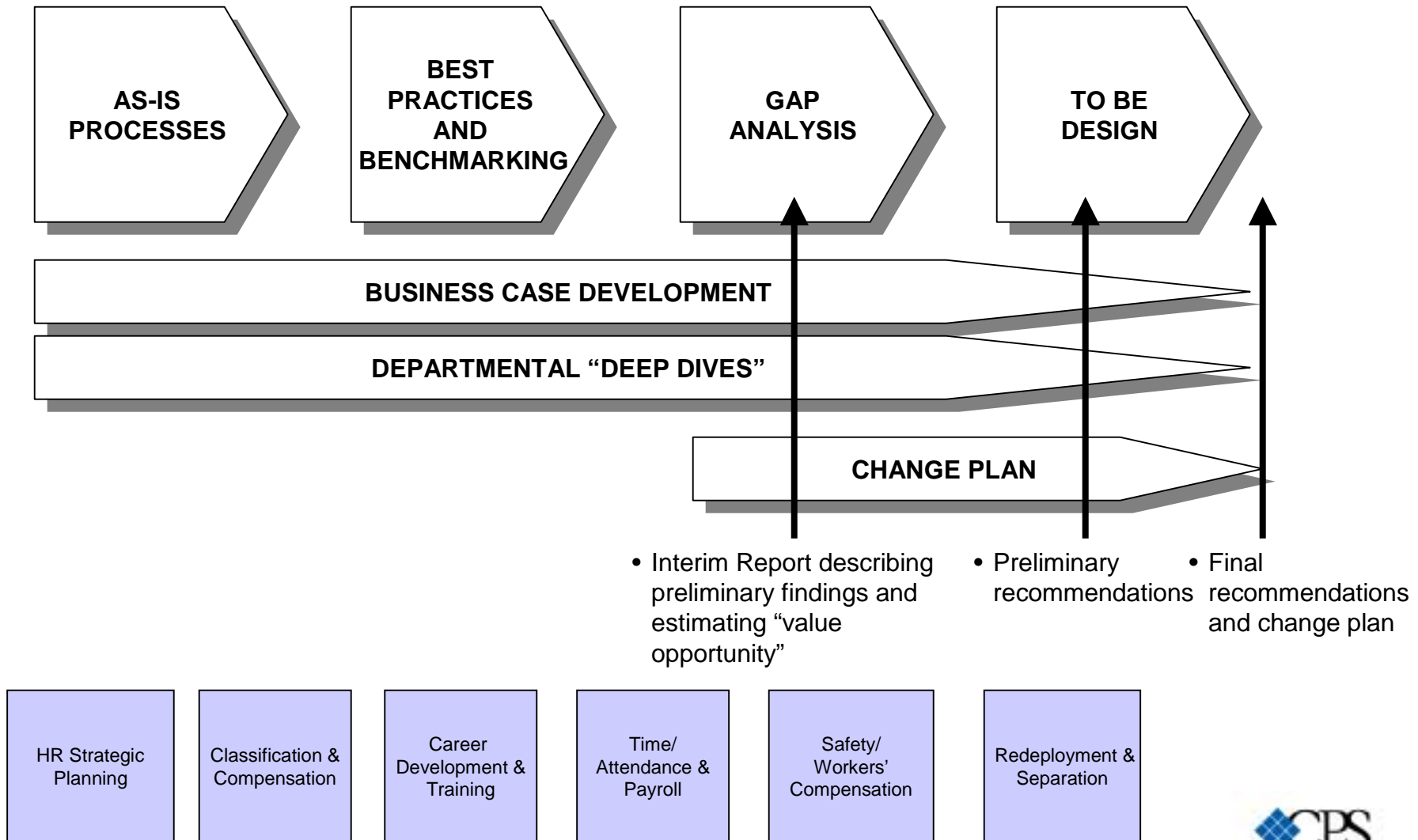
**August 20, 2002**



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# Approach



**The team drew on resources throughout the City in the development of its recommendations and interviewed city employees and unions leaders.**

### **Key Stakeholders**

Mayor  
Cabinet  
Departmental HR Officers  
City employees  
Union leaders  
Metro Chamber of Commerce

### **Program Management Office**

David Edwards

### **Review Panel**

Teresa Wynn Roseborough, Sutherland Asbill  
Rebecca Woolcot, City Manager, City of Conyers  
Lorenzo Scott, AFL-CIO  
John Temple, EVP and COO Emory  
Peggy McCormick, Co-Chair Transition Team

### **Steering Committee**

Jackye Fauntleroy (Planning)  
Kimberly Miller (Law)  
Carole Dortch (Aviation)  
Lt CJ Davis (Police)  
James Day (Parks)  
Richard Dickson (DPHR)  
Michael Eboka (Finance)

### **HR Process Review Team**

Lepora Manigault (PMO)  
Linda Blackwell (DPHR)

CPS Human Resource Services  
Linda Anselmini & Lora Levosky  
Consultant Team



# Summary of “AS IS” Findings



## Summary of Major Findings

- The Department of Personnel and Human Resources (DPHR) has not been in the position to fulfill the essential role of a HR leader and has not been effectively utilized as a business partner and change agent and therefore is not being leveraged as a strategic business resource.
- HR processes are highly manual.
- COA is not doing what it can to keep its employees safe.
- Training is not being deployed effectively.
- Workers' Compensation program lacks an active claims management and prevention strategy which is leading to costs out of line with benchmarks.
- The City is not effectively evaluating or developing its employees.
- COA's payroll process is a management burden out of proportion to its appropriate role and is operating under serious process and security risks.
- COA is under-utilizing the PeopleSoft technology and has system and process risks.



**The Department of Personnel and Human Resources (DPHR) has not been in the position to fulfill the essential role of HR leader and has not been effectively utilized as a business partner and change agent and is therefore not being leveraged as a strategic business resource.**

**International Personnel Management Association  
IPMA Competency Model\***

**COA**

- Sets policy and direction
  - Aligns HR goals w/ business plans
  - Provides analysis and forecasting
  - Focuses on human capital development and career path design
  - Provides organizational design services
  - Succession planning
  - Manages organization culture
  - Facilitates change to respond to business trends
- Reactive and transactional
  - Little planning with departments
  - Little forecasting conducted
  - No formal career planning program exists
  - Little organization design work done
  - No formal succession planning exists
  - Organization culture is not managed
  - Change management is no one's responsibility

\*Source: Best Practice Model for Public Sector





## HR processes in the City are highly manual

COA's manual processes are evidenced by transaction volumes and number of employees engaged in HR activity.

Departments Response to Survey	FTE Involved in 8 HR Processes
Fire	25.3
Police	24.6
Public Works	22.7
Corrections	22.5
DDNC	21.5
Airport	18.6
Finance	10
Administration	5.5
Parks and Recreation	3.7
Water	3.5
City Court Public Defender's Office	1.6
City Council	1.5
Law	1
Total	162
DPHR	56
Total	218

Examples of Manual Process Categories	Number Processed Annually
Timesheets	217,000
Worker's Compensation Claims	1,800
QPAI's	6,451
TAD's	4,403
PAR's	321
Total	229,975



**City of Atlanta (COA) incurred an estimated \$12.5 million in Workers' Compensation expenses in 2001, and maintains an outstanding claims liability of approximately \$70 million for high cost claims.**

**Lost Time (Salaries Paid)**

Injury On the Job <sup>1</sup>	Workers' Compensation <sup>2</sup>
\$3.6 million (est.)	\$5.6 million

**Medical <sup>3</sup>**

\$3.3 million (est.)

City currently has 409 high cost claims (>\$50K), at an anticipated total cost to be \$71.5 million

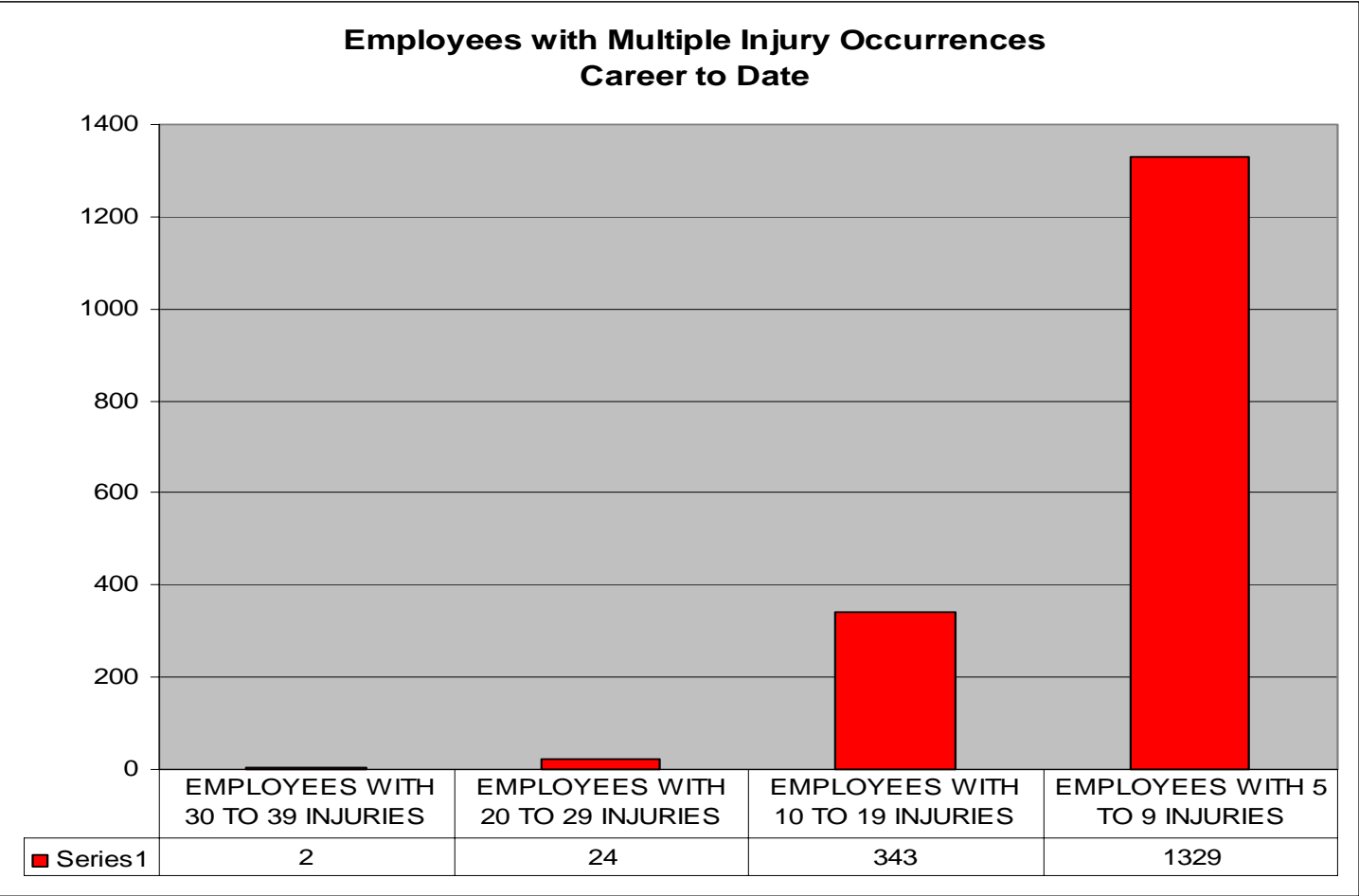
<sup>1</sup> Full-time COA Employees receive Injury On the Job payments consisting of up to six months of full salary.

<sup>2</sup> Expenses for workers after six months out of work.

<sup>3</sup> Estimated medical expenses for Injury On the Job employees.



Over 20% of employees have more than five reported injury occurrences and over 360 employees have more than 10 in their careers with the COA.



**Relative to other employers in the state, and other cities around the country, the City performs poorly in managing worker's compensation.**

Benchmark Measure	GA Employers	City of Atlanta
Claims w/ more than 7 days lost time as % of all paid claims	14%	55%
Average cost* per case	\$7,723	\$6,944
Average lost work days	58	95
Average medical only per claim	\$390	\$1,124
Percentage of cases closed	66%	31%

Source: Workers' Compensation Research Institute

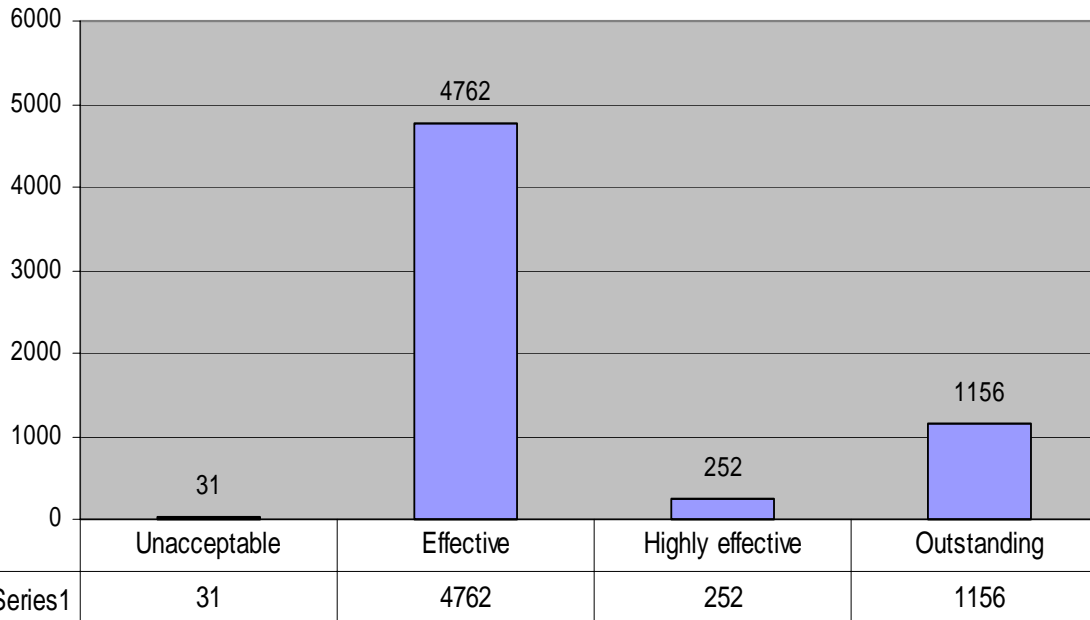
\* Medical and Lost time

Benchmark Measure	ICMA (>100K pop)	City of Atlanta
WC claims per 100 FTE	16.2	21.5
WC outlays per \$100 in salary and benefits	\$2.58	\$2.98
Average days lost for WC per FTE	.64	11.34

Source: International City/County Management Association

## The City is not effectively evaluating or developing its employees

COA 2001 Performance Data



- The performance appraisal process is not being used to accurately evaluate employee performance.
  - primarily used to grant employees their annual increments
  - used perfunctorily by most departments
- High potential employees are not being identified and developed proactively or systematically
- Poor performers are not being identified and either provided with the support to improve or being removed
- Involuntary turnover was 3% (252)

Note: Highly effective rating added July 2001



## **COA has no formal employee assessment, career planning, career training and development or succession planning.**

- Training and development programs do not meet the needs of employees or managers.
- Only sworn departments (Police, Fire, Corrections) have a formal path for career development with employees' skills assessed prior to promotion.
- Competency models have not been developed with one exception - a model purchased for Basic Skills Enhancement and Adult Literacy programs.
- Currently, Department of Aviation is evaluating all positions and devising new training programs department-wide. This is not happening city-wide.



## Training is not being deployed effectively.

**While the City spent \$7.2M on training in 2001 (which is significantly more than comparable benchmarks) ...**

### COA Training 2001

-Aviation	\$1.26M (3.8% of payroll )
-Sworn	\$822K (.5% of payroll)
-Public Works	\$447K (1.4% of payroll)
-All others	<u>\$4.5M (4.7% of payroll)</u>
Total Departmental	\$6.58 M

Bureau of Training	<u>\$ .6M</u>
Total	<u>\$7.2M</u>

### **2.5% Payroll**

**Benchmark\* is 1.7% of Payroll**

\* Source: American Society of Training

**... little information is collected on the effectiveness of the training and most interviewees claim that too little training is conducted**

- No evaluation of programs
- No assessments of employees
- Lack of detailed accounting data
- Absence of central record keeping
- Lack of individual/organizational development plans



**COA's payroll process is a management burden out of proportion to its appropriate role and is operating under serious process and security risks.**

### **City Payrolls**

<b>Payroll Type</b>	<b>How Processed</b>	<b>Processed Annually</b>
Regular Payrolls	PeopleSoft	168
Off-cycles	PeopleSoft	54
Pension	PeopleSoft	12
Pension off-cycle	PeopleSoft	12
Workers compensation	Mainframe	26
Total		272

- The City runs 272 payrolls every year
  - High number of payrolls are run in order to distribute manual processing time
  - Best practices suggest a minimum to maximum: 12, 24, 26, or 52 payrolls annually
- Highly manual data input increases costs considerably
  - Atlanta spends \$186/employee/year on payroll functions
  - Best Practices suggests \$90, although some outsource providers are offering considerably less
- There is no process or systems back-up
  - Data is not backed up at off-site location
  - No contract in place for processing payroll in the event of a disaster





## **COA is under-utilizing the PeopleSoft technology and has systems and process risks.\***

- The system configuration for the foundation table setup is inaccurate and not meeting the current needs of the City.
- Foundation tables appear to be a modified version of what was being performed in the legacy system.
- Operational procedures and system documentation is incomplete and inaccurate.
- Customization reviews cannot take place because documentation to support what might have been done is not available.
- The City's user community is not properly trained on the system and in some cases does not have the skill sets to properly perform their duties.
- Staff have difficulties controlling errors in Payroll processing due to manual timesheets causing overpayment or underpayment and taxing errors.
- Pension payroll is being paid out of payroll on off-cycle and is typically riddled with errors.
- Leave accruals are completely out of sync.
- Budget reports are not accurate.
- Position management and the encumbrances modules are not being used correctly.

Source: PeopleSoft City of Atlanta Human Resources Functional Assessment & Optimization Analysis 12/00



# Vision and “TO BE” Solutions



# Summary of Return on Investment

Function	Savings	Investment	IRR	NPV (4th year)	Payback
Classification forms automation	\$400K	\$100K	390%	\$1.1M	2 months
Time & Attendance	\$3M	\$753K	400%	\$8.9M	3 months
Payroll	\$1.5M	\$1M	143%	\$5.2M	10 months
Worker's Compensation	\$2.8M				
•Policy change					
•Reduce new claims	\$2.4M	\$200K	1013%	\$6.9M	4 months
•Reduce liability high cost claims	\$4.7M	\$1M	470%	\$13.9M	6 months
<b>Total</b>	<b>\$15.3M</b>	<b>\$3.45M</b>		<b>\$36M</b>	



**The goal is to elevate the City to “best in class” in human resources management.**

## **Vision**

- Transform the Department of Personnel and Human Resources (DPHR) into a professional services organization that acts as a business partner with the City departments
- DPHR will focus on providing advice and support in:
  - human capital development
  - organizational design and change management
  - compensation levels and structures
- DPHR will become a professional services organization rather than a transaction management organization
  - reduce its role in transaction management either through automation or outsourcing



**The City will achieve this vision through the redesign of it's core human resources functions.**

- HR Strategic Planning
- Classification and Compensation
- Training
- Performance Management
- Career Development and Succession Planning
- Time/Attendance and Payroll
- Safety/Workers' Compensation
- Redeployment & Separation



**DPHR will redesign its organization and strategic planning processes to become a business partner, change agent and HR leader.**

### **Key Initiatives:**

- Reorganize DPHR to implement strategic functions
- Hire and/or train staff to ensure appropriate skill sets are in place to support new direction of the organization
- Refocus functional efforts to support the needs of departments
- Automate and/or outsource transaction processing

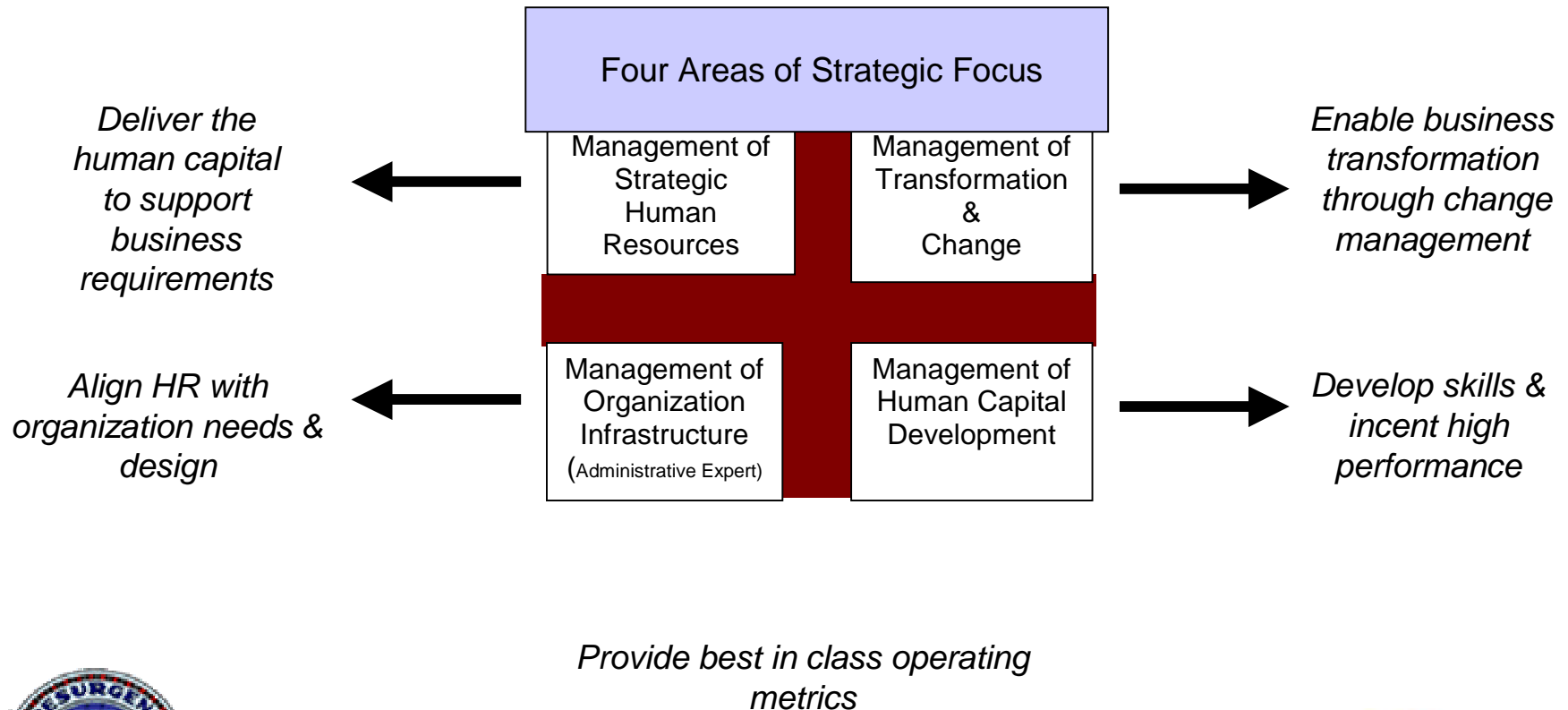
### **Key Benefits:**

- Reorient DPHR to align with key City strategic imperatives
- Staff will be successful in fulfilling the strategic mandate
- Align HR policy and priorities with business strategies of the departments
- Administrative efficiency & effectiveness



The new orientation of DPHR will focus on delivering four key strategic services.

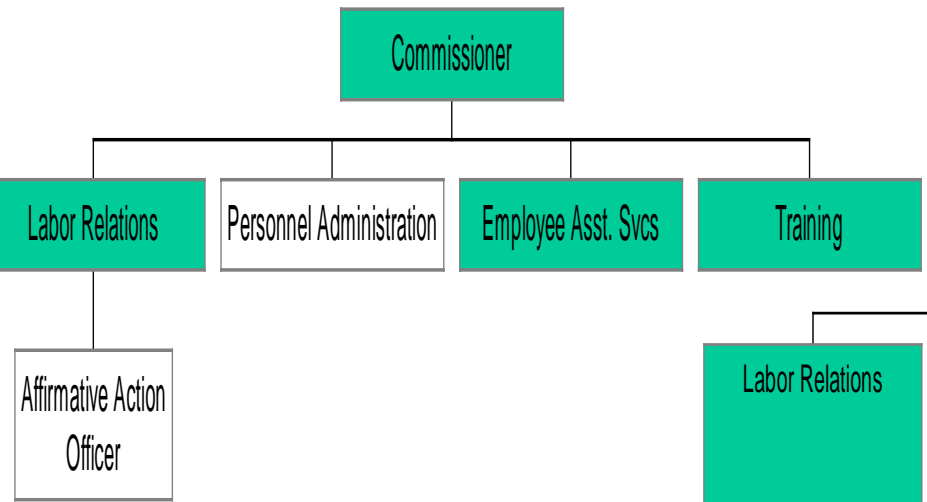
**“To Be” Be Strategic Framework**



Recommend a reorganization of DPHR to support this new vision.

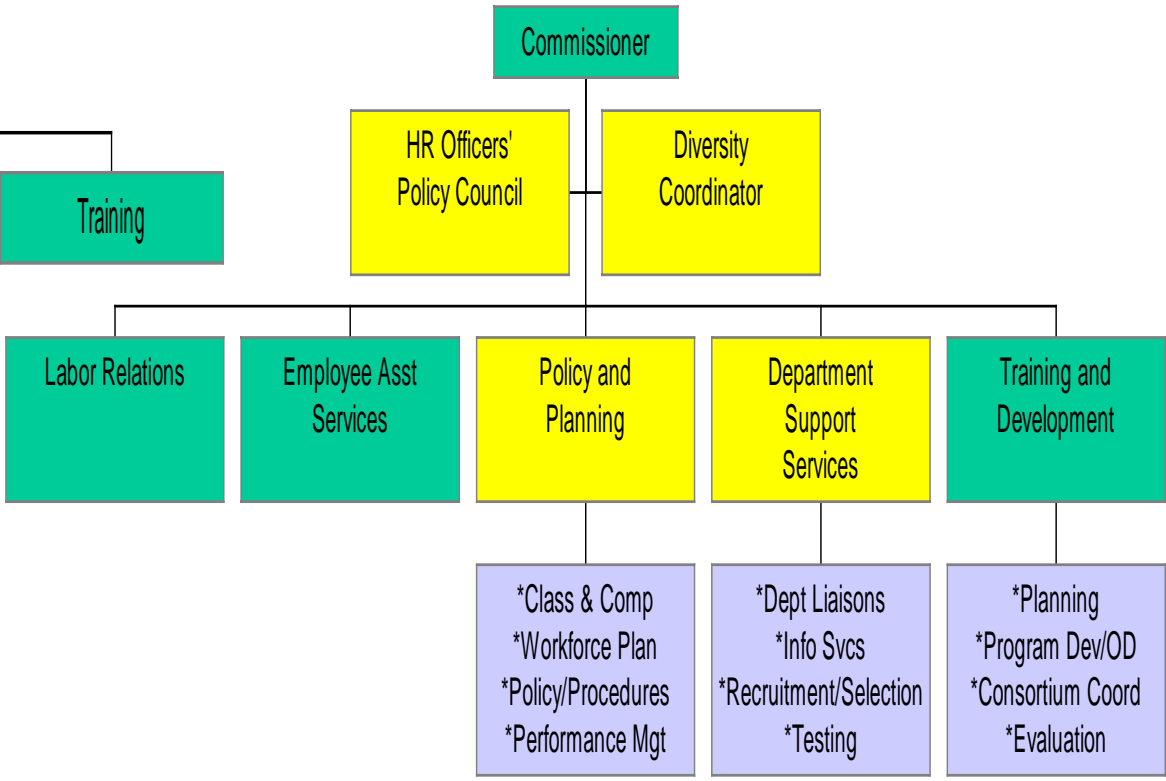
# As Is Structure

Department of Personnel and Human Resources



# To Be Structure

Department of Human Resources\*





**This change in the strategic orientation of DPHR will require support from top leadership.**

**Critical Success Factors\*:**

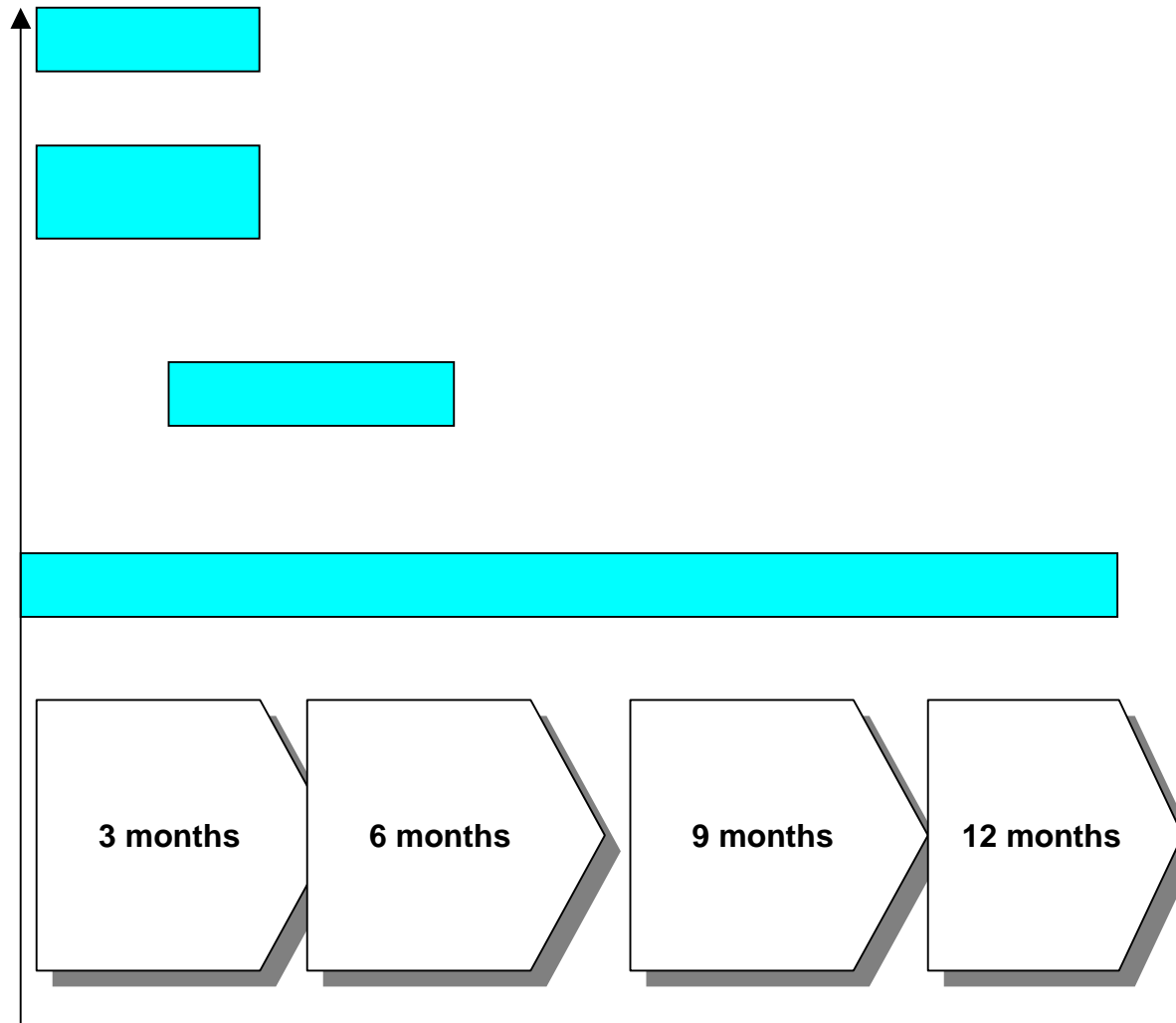
- Support from top leadership
- Visionary, action-oriented department head
- Technology support
- Appropriate training for staff
- Change management plan
- Initial visible successes (e.g. HR Policy Council, Policy & Procedures Manual)
- Time
- On-going communication
- Resources

**\*These Critical Success Factors are applicable to all of the recommended solutions that follow.**

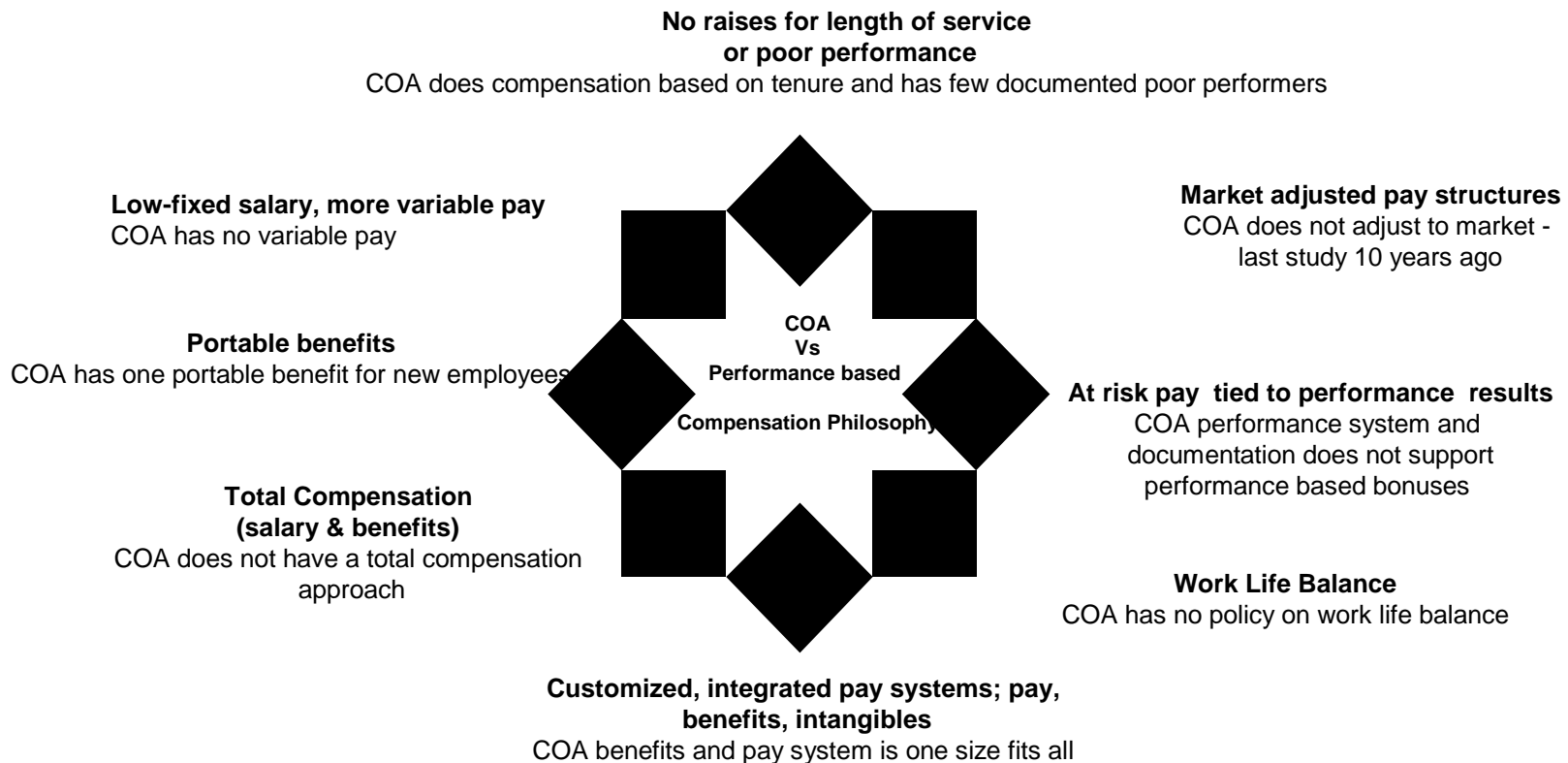


**The strategic re-orientation of DPHR can be done relatively quickly; the elimination of manual processing will take longer.**

- Reorganize
- Hire and/or train competent staff - zero-based staffing
- Refocus functional efforts to the needs of department
- Automate and/or outsource transaction processing
- Timeframe: 3 months to 1 year



**The City needs a compensation philosophy that supports the business requirements of the departments and that rewards strong performance.**

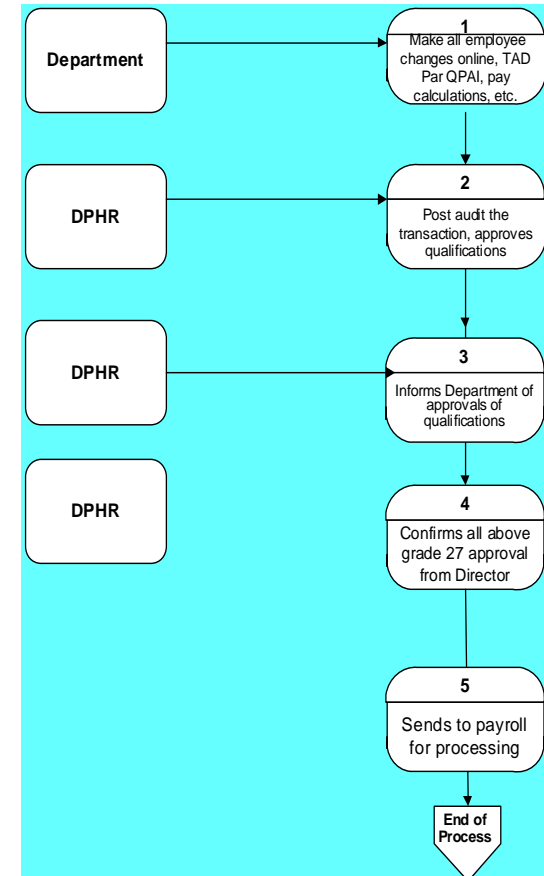


The process redesign will eliminate manual functions for all employee changes:  
TAD, Par, QPAI, etc.

## As Is



## To Be



**The redesigned processes will improve the transparency and flexibility of the compensation system and generate \$400K in annual cost savings.**

**Quantitative Benefits:**

	<b>Savings</b>	
<ul style="list-style-type: none"> <li>• <b>Automating TAD process</b></li> </ul>	\$400K	Reduce 20 FTEs to 10 FTEs processing 4400 TAD's annually. The savings will generate a reduction in approximately 50% staff or \$400K annually (includes salary and benefits).

A TAD is the turnaround document used to accomplish most personnel actions.



The purchase, implementation and training costs associated with the new system is estimated at just over \$100K.

### Investment Costs

- Software \$100K
- Annual Operating Expenses \$10K
- Training (included in payroll training)

### Financial Returns

Classification and Compensation Reengineering of TAD						
	Initial Investment	Year 1	Year 2	Year 3	Year 4	Total
Savings		\$400,000	\$400,000	\$400,000	\$400,000	\$1,600,000
Revenue						
Solution Investment	(\$100,000)	(\$10,283)	(\$10,283)	(\$10,283)	(\$10,283)	(\$141,132)
Net Impact	(\$100,000)	\$389,717	\$389,717	\$389,717	\$389,717	\$1,458,868
					IRR: 390%	NPV: \$1,135,350.45

IRR = Investment  
Rate of Return

NPV = Net Present  
Value

Payback in two months



**The process redesign will require effective project management.**

**Critical Success Factors:**

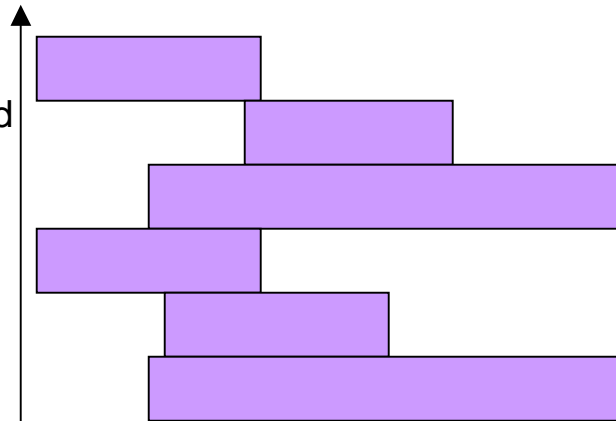
- Thorough up-front planning
- A designated individual with expertise to be responsible for project success
- Ability/resources to implement and communicate a performance compensation philosophy
- Management of associated organizational changes
- Consistency in applying compensation rules



**Classification & Compensation is two efforts: 1) Automation of the TAD process, and 2) a Class & Comp Study. Automation will begin with the implementation of time/attendance and payroll/separation.**

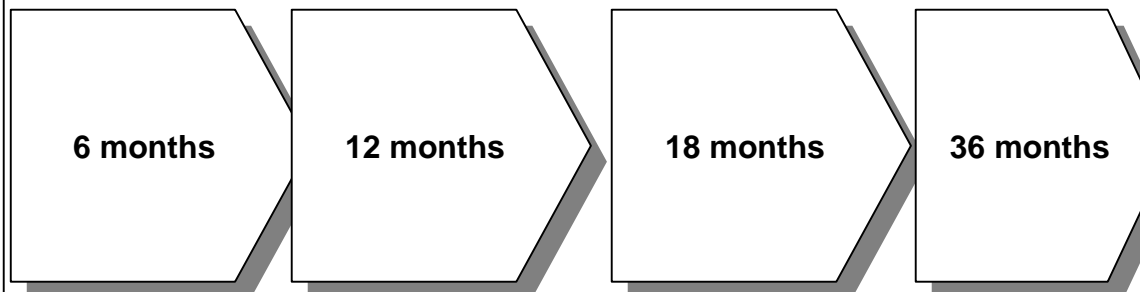
**1. Automation:**

- RFP (Part of Time and Attendance and Payroll Solution)
- Procure
- Implement
- Scrub all HR data residing in PeopleSoft
- Migrate clean data
- Implement one department at a time
- Timeframe: 6 months to 1 year



**2. Classification & Compensation Study**

- Timeframe: 24 - 36 months for design and phased in implementation





## Training needs to be refocused to support the business needs of the departments.

- Introduce a training skills assessment process that requires departments to link training needs to strategic business requirements and the competency levels of employees each year
- Coordinate training budgeting in departments with the Bureau of Training (BOT) and reduce number of trainers Citywide (except police, fire, corrections, aviation, public works technical)
- Maximize training expenditures and ROI for COA as a whole by exploring new delivery methodologies and partnerships with external entities/consortia to meet immediate and future needs
- Establish performance metrics for departments and BOT that track the effectiveness and efficiency of employee training



**Reinvest the FTE savings back into the workforce for training and development to align workforce competencies with strategic goals of the City.**

**Quantitative Benefits:**

- **Reduce training FTEs**

**Reinvest**

**\$782K**

Reduce 15 FTE's citywide in training saving 782K and reinvest it back into the employees.

**Qualitative Benefits:**

- Maximization of ROI from training expenditures
- Business partner opportunity
- "Silo busting"
- Increase the efficiency and effectiveness of training spending
- Raise quality of training
- Increase accountability



The savings will be reinvested into employee training that is in alignment with the needs of the City.

### Investment Costs:

Initial Investment for City-wide training skills assessment	\$250K
Annual Average Training Brokered Skill Assessment 1/4th of staff annually	\$532K
	\$250K

### Financial Returns

Training and Development						
	Initial Investment	Year 1	Year 2	Year 3	Year 4	Total
Savings		\$782,906	\$782,906	\$782,906	\$782,906	\$3,131,624
Revenue						
Solution Investment	\$250,000	(\$782,906)	(\$782,906)	(\$782,906)	(\$782,906)	(\$2,881,624)
<b>Net Impact</b>	<b>(\$250,000)</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$250,000</b>
					IRR: insufficient data	NPV: (\$250,000.00)



**Success will depend on the willingness of the departments to engage the Bureau of Training as a business partner.**

**Critical Success Factors:**

- Departmental willingness to make it work
- Permanent, action-oriented leadership in BOT
- Business oriented training professionals

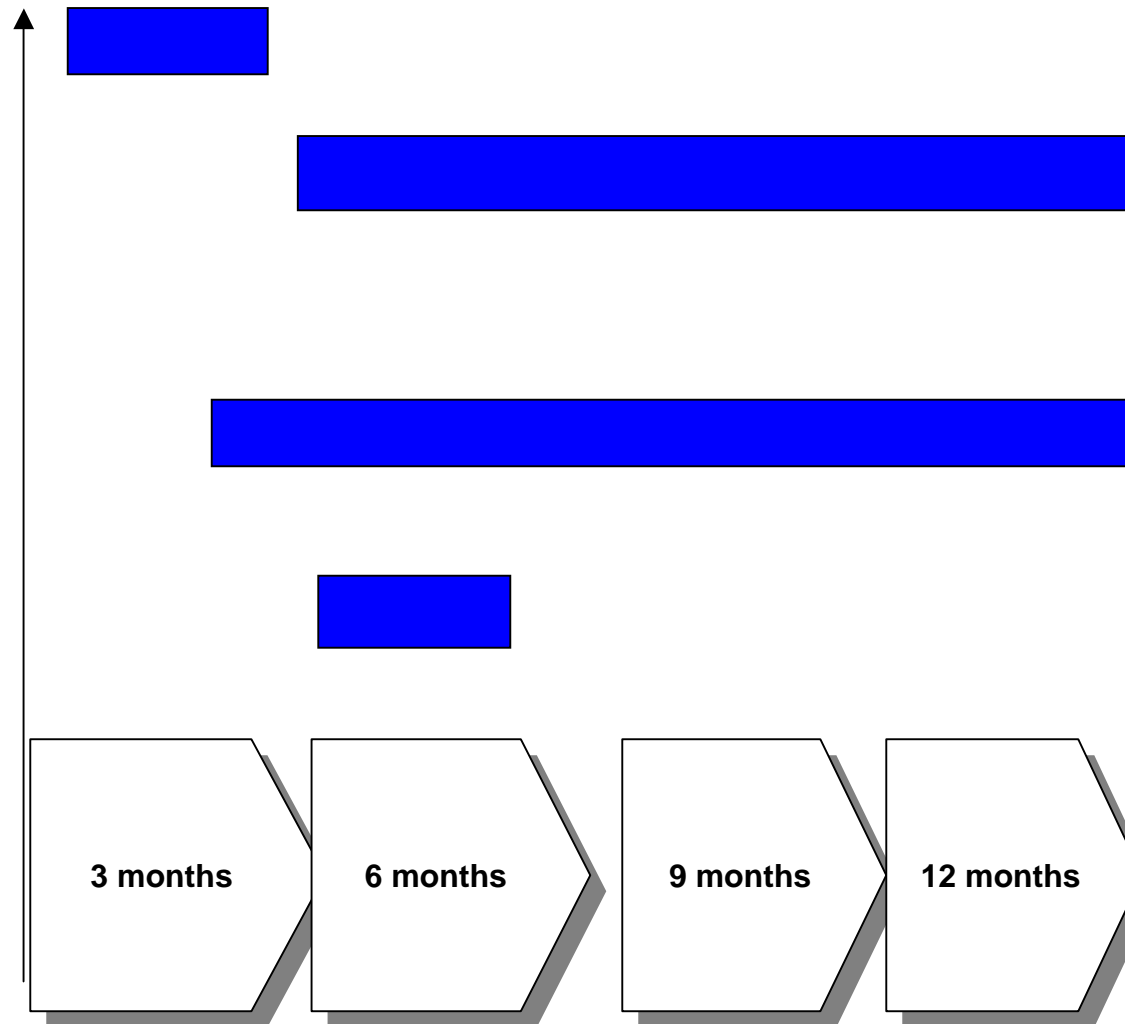


**The effort should take a year to complete.**

Training

- Introduce training needs assessment and skill assessment process
- Reduce number of trainers Citywide (except police, fire, corrections, aviation, PW technical)
- Maximize training expenditures and ROI for COA as a whole by exploring new delivery methodologies and partnerships
- Establish performance metrics for departments and BOT that track the effectiveness and efficiency of employee training

Timeframe: 3 months to 1 year



## The City needs to more rigorously apply its performance measurement process (QPAI).

- Develop a performance measurement process that focuses on:
  - Abilities, such as leadership, communication, or writing skills;
  - Attitudes, such as flexibility, customer service, and interpersonal skills;
  - Behaviors, such as conscientiousness, timeliness/attendance, and cooperation; and
  - Job knowledge, such as accounting skills or computer or technical knowledge.
- Develop a 5 rating, competency-based performance appraisal process with different forms
  - Develop core competencies for the 3 appraisal categories (Supv/Mgr, Prof, Indiv Contributor)
  - Redesign evaluation form according to 1995 focus group criteria:
    - \*fair, simple and easy to use
    - \*based on employee expectations
    - \*tied to departmental goals and objectives
    - \*not controlled by a single individual
    - \*based on recent job descriptions
    - \*focused on growth and promotions potential
  - Add career planning component
- Train supervisors and employees

**Appraisal process should include a required career development planning component outlining competencies to be developed through training programs and work assignments.**

**An improved performance measurement process will allow the City to better evaluate the performance of its employees, and will provide the employees with a tool for self development and professional growth.**

### **Qualitative Benefits:**

- Motivate employees
- Assess employee potential
- Identify training needs
- Assist in Human Resource planning
- Identify and correct poor work performance
- Defend lawsuits
- Assist in compensation planning
- Identify and focus on employee competencies that align with the organization's goals and objectives
- Gives employees the opportunity to see where they fit in and what's expected of them by defining effective behavior
- Provides more constructive feedback regarding suggestions for improving performance and developing skills so employees can grow and assume new responsibilities



**Successful execution will require a significant change management effort given existing attitudes towards performance evaluation.**

### **Critical Success Factors:**

- Support for first line supervisors to play a major role in the performance management of the employee
- Support from first line supervisors in performing the new role
- Resources to allow time for proper evaluation
- Eliminate the reluctance of the new learning culture
- Evidence of new culture - rewards & consequences
- Department participation in design
- Training for supervisors & employees
- Well designed measures
- Monitoring/feedback/modification

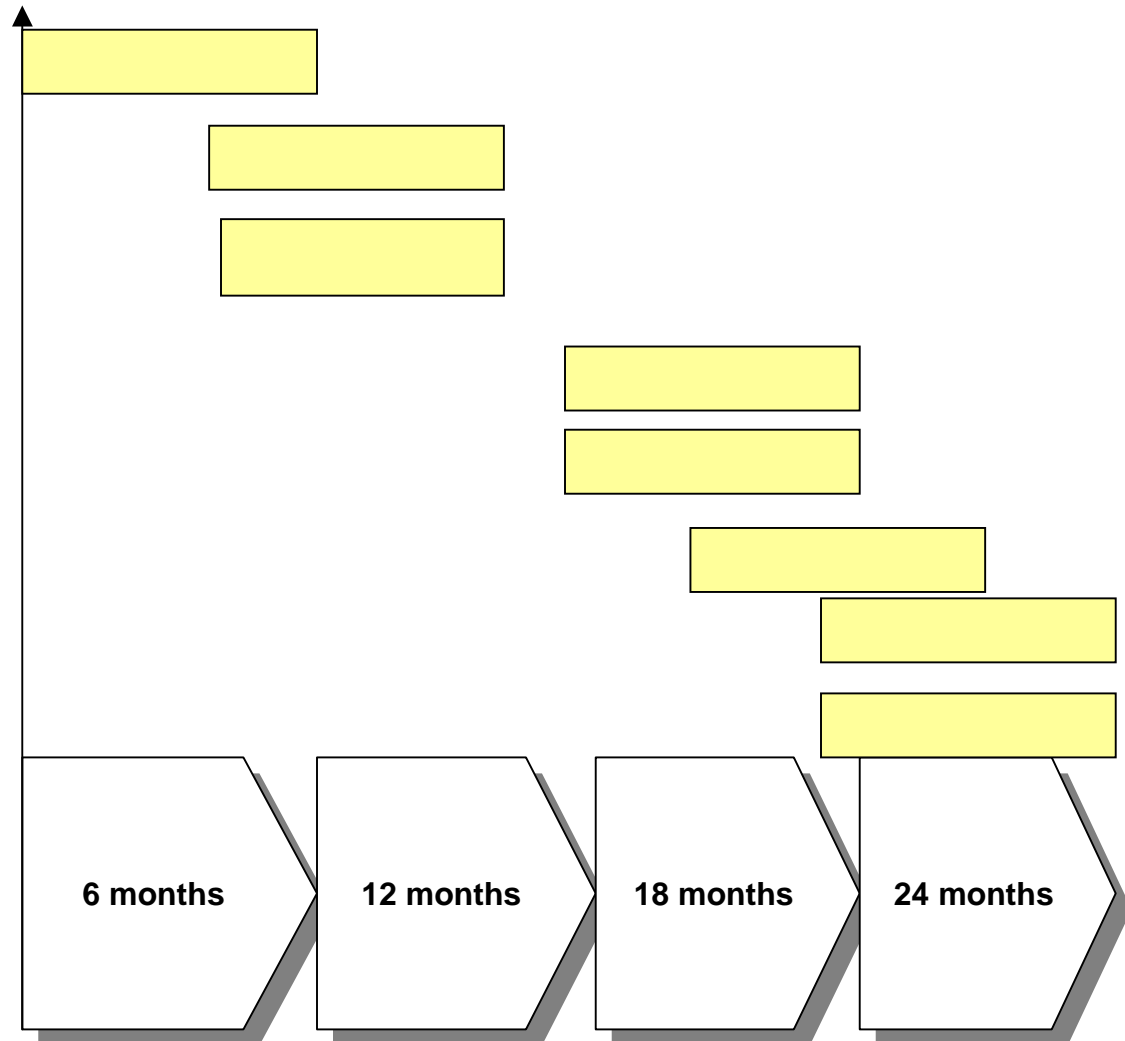




## Implementation will require 24 months.

- Develop core competencies for the 3 appraisal categories (Supv/Mgr, Prof, Ind Contributor)
- Redesign evaluation form according to 1995 focus group criteria (easy to use, etc.)
- Add career planning component
- Train supervisors and employees in pilot department
- Pilot program in one department
- Monitor/measure results/modify
- Train supervisors & employees in other departments
- Phase in one or two departments at a time

Timeframe: 6 months to 2 years



## Core competencies will serve as a foundation for HR decision-making.

- Program will be built around a core competency model that will use the performance evaluation process to:
  - create annual development plans for employees
  - set performance and training goals
  - identify high potential employees worthy of additional career investments
  - provide opportunities for training and rotational assignments throughout the City in order to “grow” Atlanta’s best.
  - Implement on-going workforce planning analysis including succession planning candidates



**The City needs a comprehensive career planning and development program to identify and nurture employee careers.**

**Qualitative Benefits:**

- Enable a high performing workforce
- Attract & retain quality employees
- Motivate employees
- Assess employee potential and create a cadre of future supervisors, managers and executives



**Success will depend on the City's ability and willingness to proactively manage the careers of its employees.**

**Critical Success Factors:**

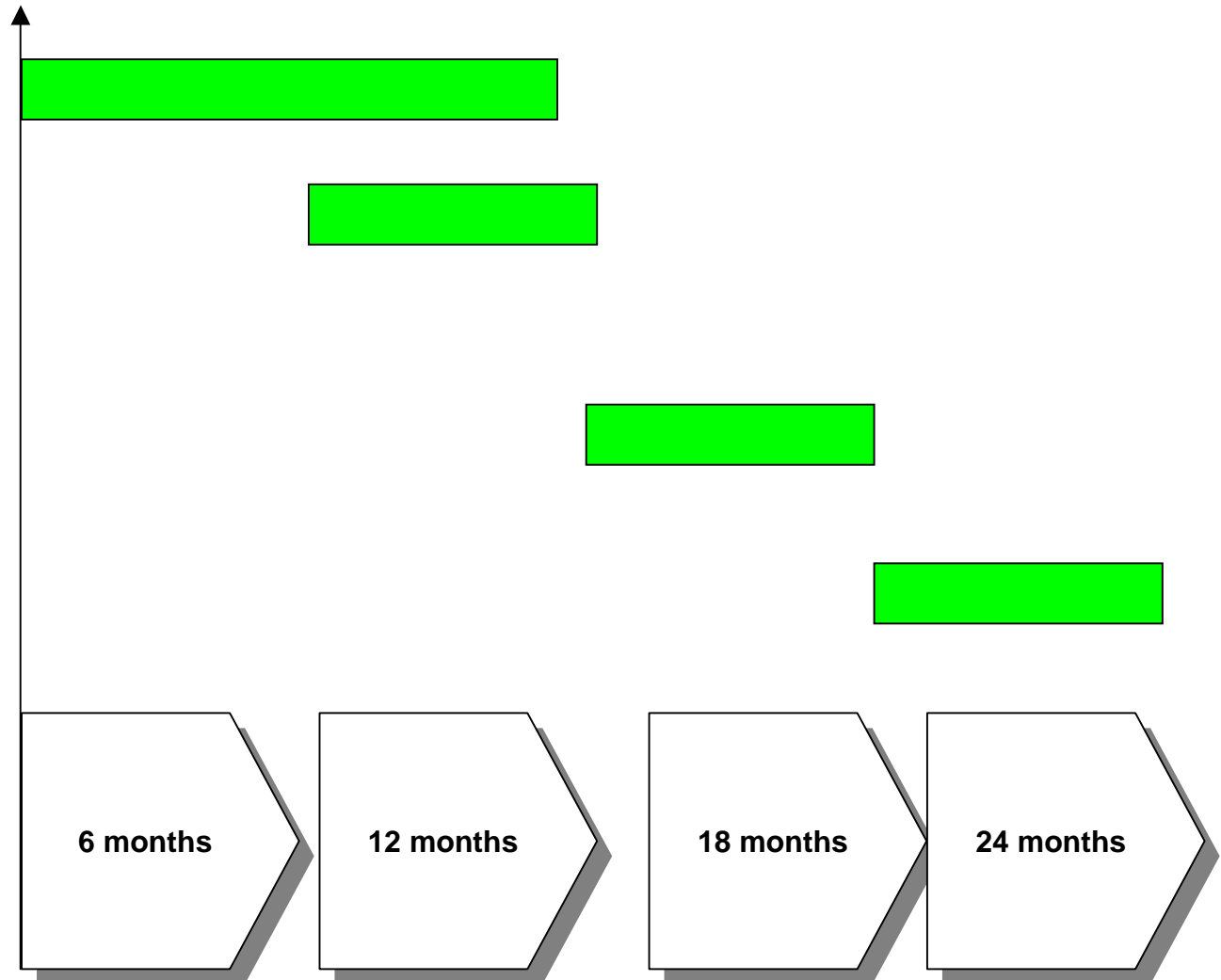
- Support to front line supervisors
- Support from first line supervisors
- Resources to allow time for assessment & development
- Evidence of new culture - learning counts
- Departments participate in design
- Cooperation from departments
- Measures and accountability for employee development



**Implementation will take 24 months.**

- Develop core competency model
- Develop links to performance assessment tools
- Create evaluation scorecard
- Design high potential employee program

Timeframe: 6 months to 2 years



**The City needs to automate timekeeping with a system that applies all pay rules and assigns process ownership to the departments.**

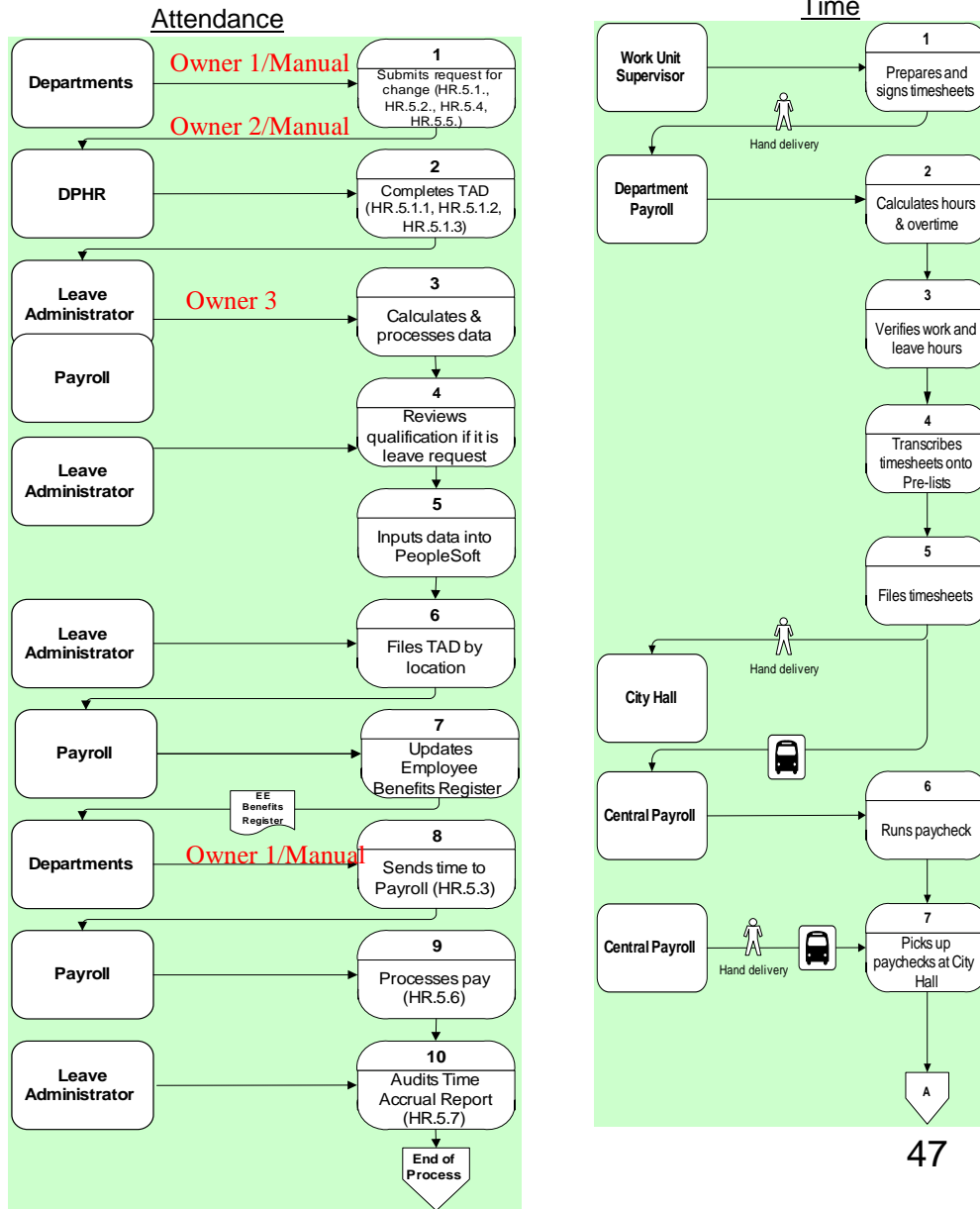
- Move to an exception only time and attendance system for exempt employees
- Automate time and attendance
- Strongly encourage all employees to participate in electronic paycheck deposits.
  - The City can facilitate that by partnering with local banks and the credit union and conducting campaigns to assist employees in opening bank accounts for their paychecks.



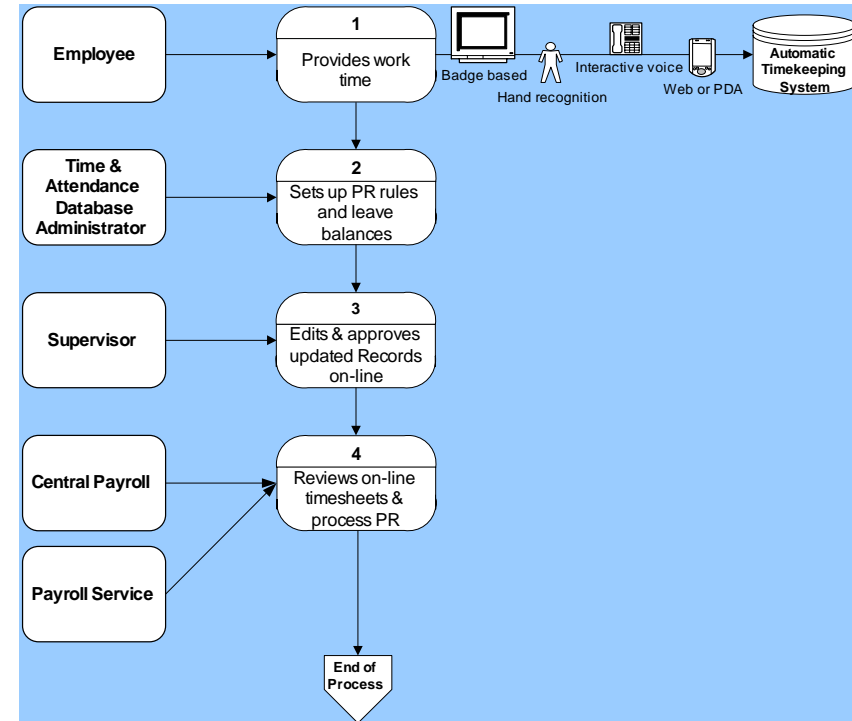
# The new process will be fully automated.

## Time & Attendance

### "As Is" Overview Time and Attendance



### "To Be" Time and Attendance



### Issues:

- Manual process 217,000 timesheets/year
- Inaccurate data from PeopleSoft conversion never scrubbed
- Excessive handoffs of TAD forms
- Time balances not being managed
- Three owners, no one responsible

### Solutions:

- Automated - paperless
- Scrubbed data will reside in time and attendance system
- No handoffs
- Time balances managed by supervisor- one owner

**The new process could generate nearly \$3M in cost savings.**

**Quantitative Benefits:**

	<b>Savings</b>	
• Reducing human error	\$2M	Studies have shown that the human error rate is up to 5%. This calculation assumes a savings factor of .50 % of \$420M. It is probable that error savings would exceed this amount.
• Reducing FTE's processing manual T&A forms	\$900K	Today 45 FTE Citywide process timesheets at a cost of \$40,591 salary and benefits or \$1.8M . The savings will generate a reduction in staff by 22. 5 FTE or \$ 913K annually
• Reducing overtime through automation	\$17K	Reduce cost associated with overtime through automated clocking-in technologies: 50% of the payroll x .2%
• Reducing the cost of shift differential through automation	\$6K	Benchmarks suggests .2% of payroll can be saved by applying automated clocking-in technologies for hourly employees. Since 25% of COA payroll is hourly .2% x 25% x \$420M
• Reducing supply costs	\$2K	Supplies savings for paper timesheets: \$2000 per year for paper for timesheets



The purchase and maintenance costs of the new system is nearly \$1M.

### Investment Costs

- Software \$750K
- Annual Operating Expenses \$80K

### Financial Returns

Time and Attendance							
		Initial Investment	Year 1	Year 2	Year 3	Year 4	Total
Savings			\$3,080,150	\$3,123,447	\$3,167,610	\$3,212,656	\$12,583,863
Revenue							
Solution Investment		(\$753,130)	(\$77,920)	(\$77,920)	(\$77,920)	(\$77,920)	(\$1,064,810)
Net Impact		(\$753,130)	\$3,002,230	\$3,045,527	\$3,089,690	\$3,134,736	\$11,519,053
						IRR: 400%	NPV: \$8,955,531.16

Payback in three months



# Local Employers with Automated Time and Attendance\*

## PUBLIC SECTOR

- ❖ DeKalb County
- ❖ Athens-Clarke County
- ❖ Cherokee County
- ❖ Jackson County BOC
- ❖ Fulton County Sheriff's Dept
- ❖ Fulton County Tax Assessors
- ❖ City of Perry
- ❖ Coweta County School System
- ❖ Georgia Institute of Technology
- ❖ University of Georgia
- ❖ Hall County Health Department

## PRIVATE SECTOR

- ❖ The Home Depot
- ❖ Coca Cola Enterprises
- ❖ Georgia Pacific
- ❖ Equifax/Certegy
- ❖ Genuine Parts Co.
- ❖ Cox Communications
- ❖ Mohawk Industries
- ❖ Shaw Industries
- ❖ Rock Tenn Co.
- ❖ Philips Electronics North America
- ❖ Brown & Williamson



\* Kronos

**Success will depend on strong project management.**

**Critical Success Factors:**

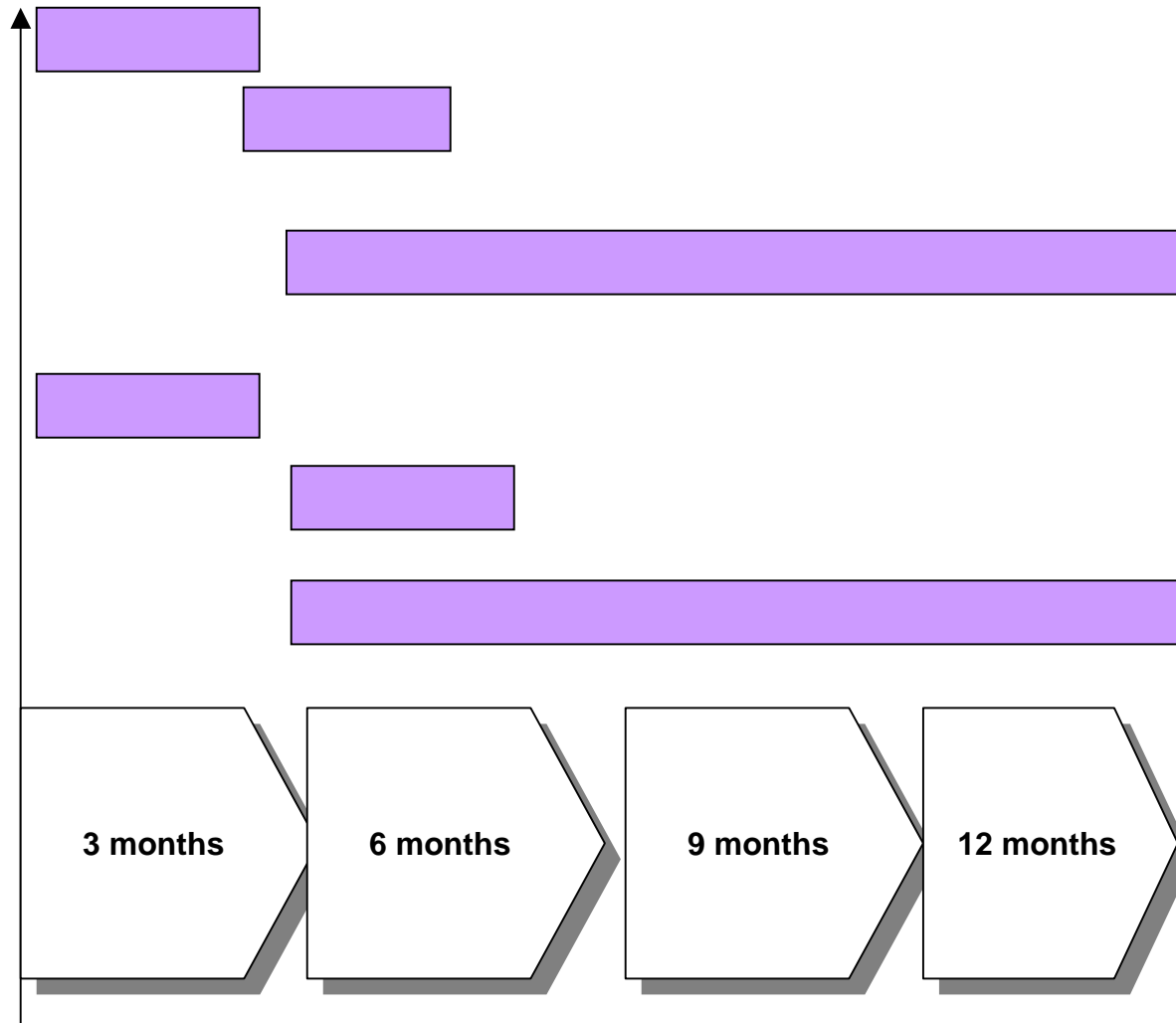
- Ability/resources to implement and run an automated technology solution
- Management of associated organizational changes
- Consistency in applying time/attendance rules



## Implementation will take a year

- RFP time and attendance - bundle with Payroll
- Procure time and attendance
- Implement time and attendance
- Scrub current attendance data residing in PeopleSoft
- Migrate clean data
- Implement one department at a time

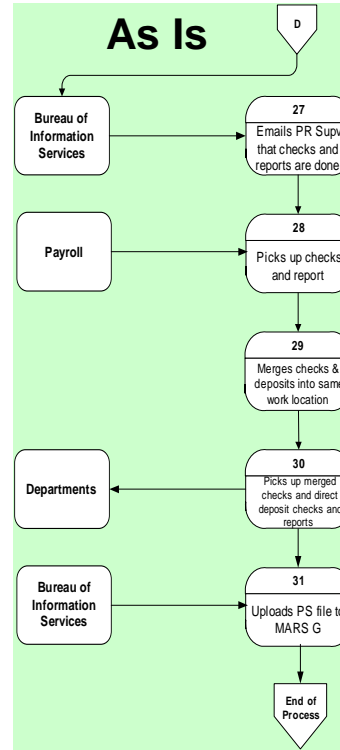
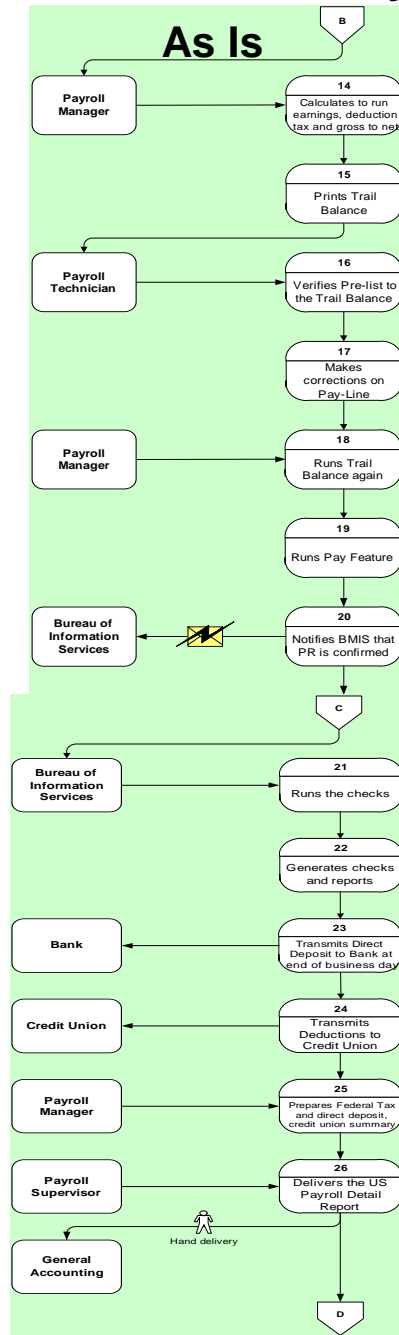
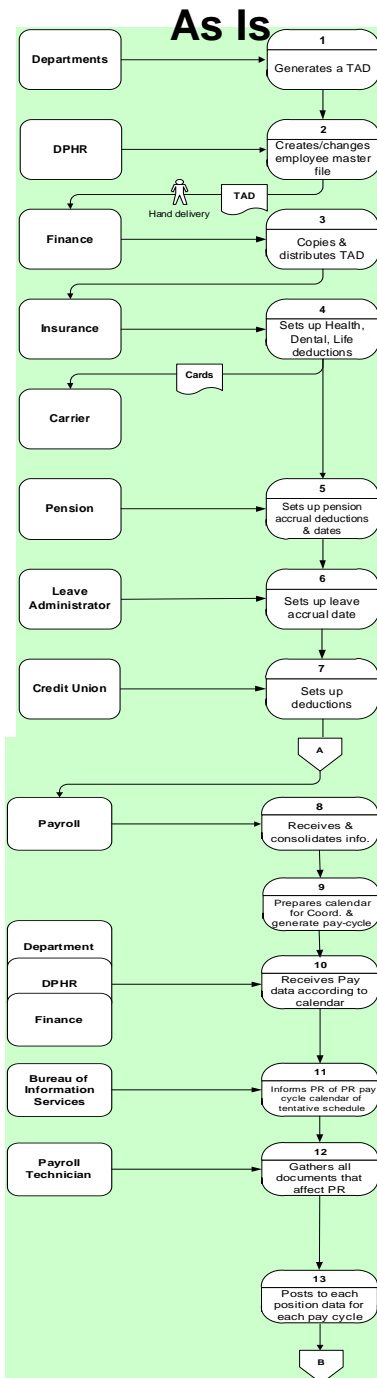
Timeframe: 3 months to 1 year



## The City needs to reduce the number of payrolls to 26 minimum/52 maximum by outsourcing or managing an Application Service Provider (ASP). Recommend Option 1

Options	Advantages	Disadvantages
<p>Option 1 - Application Service Provider (ASP) Scrubbed HR data will be migrated to a system that is managed by the ASP vendor. The vendor will become the HRIS service bureau for HR data and the vendor will also run payroll and print checks. Time and attendance will be outsourced with payroll</p>	<p>Eliminates the need for PeopleSoft System Cost value Reduces the Risk to City</p>	<p>Sunk Cost in PeopleSoft</p>
<p>Option 2 - Outsource Payroll only - This option provides the opportunity for payroll checks to be generated and produced by an outside vendor.</p>	<p>Cost Effective Process to Manage year end closing</p>	<p>Continue to run PeopleSoft for HR data and benefits</p>
<p>Option 3 - E- Center PeopleSoft w/o 8.0 upgrade The Data Base Management will be managed by PeopleSoft E-Center. The E-Center will deploy HR data to the Departments. Payroll will be generated by the City. This option does not provide for the 8.0 upgrade.</p>	<p>Reduce Risk to City Data Base Management full time</p>	<p>Continue to pay annual PeopleSoft Maintenance No Upgrade</p>
<p>Option 4 - E-Center PeopleSoft w/ 8.0 upgrade The Data Base Management will be managed by PeopleSoft E-Center. The E-Center will deploy HR data to the Departments. Payroll will be generated by the City. This option does provide for the 8.0 upgrade.</p>	<p>Reduce Risk to City Data Base Management full time Upgrade managed by PeopleSoft</p>	<p>Continue to pay annual PeopleSoft Upgrade</p>

# Payroll



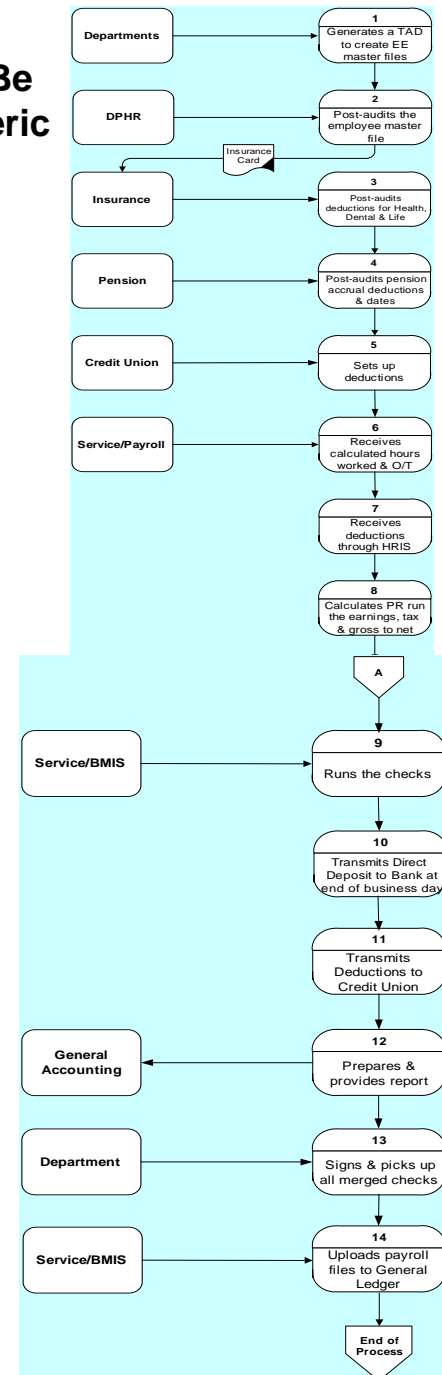
## Issues:

COA generates 272 payrolls annually  
 COA does not have sufficient technical staff to manage PeopleSoft  
 No processing back up for payroll systems. Current PeopleSoft version not supported after 2004

## Solutions:

Outsource payroll and/or PeopleSoft  
 or move to an Application Service Provider solution

## To Be Generic



## The Option 1 recommendation could generate nearly \$2M in cost savings.

### Quantitative Benefits:

	Savings	
• Reducing FTEs supporting payroll citywide	\$750K	Reduction in the FTEs supporting payroll Citywide per Department survey (20 FTEs today go to zero)
• Reducing FTEs in supporting payroll and PeopleSoft	\$700K	Today there are 3 FTE and 2 contract employees Citywide supporting PeopleSoft at a total cost of \$707K salary and benefits
• Reduction in FTEs supporting benefits	\$160K	Reduction in the FTEs supporting benefit calculations and payroll for Pension Citywide per Department (eliminating 3 FTEs)
• Reduction in maintenance for PeopleSoft Maintenance	\$275K	Reduction in maintenance for PeopleSoft Maintenance
• System efficiency factor	\$100K	System history has shown that ratio of HR staff to employees improves from 1HR staff to 100 employees to 1 HR staff to 150 employees.

The purchase and maintenance costs of the new system is \$1.4M.

### Investment Costs

- Software, Hardware Implementation \$1M
- Annual Maintenance \$100K
- Payroll Processing \$300K

} Up-front costs to outsourcer

### Financial Returns

Payroll						
	Initial Investment	Year 1	Year 2	Year 3	Year 4	Total
Savings		\$2,002,000	\$2,002,000	\$2,002,000	\$2,002,000	\$8,008,000
Revenue						
Solution Investment	(\$1,078,000)	(\$410,000)	(\$421,000)	(\$433,100)	(\$446,410)	(\$2,788,510)
<b>Net Impact</b>	<b>(\$1,078,000)</b>	<b>\$1,592,000</b>	<b>\$1,581,000</b>	<b>\$1,568,900</b>	<b>\$1,555,590</b>	<b>\$5,219,490</b>
					NPV: IRR: 143%	\$5,219,490.00

Payback in ten months





## Payroll Calculation Option 2, 3, 4

Payroll

Payroll Option 2 Outsource Payroll						
	Initial Investment	Year 1	Year 2	Year 3	Year 4	Total
Savings		\$1,500,000	\$1,500,000	\$1,500,000	\$1,500,000	\$6,000,000
Revenue						
Solution Investment	(\$400,000)	(\$450,000)	(\$450,000)	(\$450,000)	(\$450,000)	(\$2,200,000)
<b>Net Impact</b>	<b>(\$400,000)</b>	<b>\$1,050,000</b>	<b>\$1,050,000</b>	<b>\$1,050,000</b>	<b>\$1,050,000</b>	<b>\$3,800,000</b>
					IRR: 261%	NPV: \$2,928,358. 72

Payroll Option 3 E-Center No PeopleSoft Upgrade						
	Initial Investment	Year 1	Year 2	Year 3	Year 4	Total
Savings		\$869,477	\$886,867	\$904,604	\$922,696	\$3,583,644
Revenue						
Solution Investment	(\$600,000)	(\$718,278)	(\$718,278)	(\$633,786)	(\$651,786)	(\$3,322,128)
<b>Net Impact</b>	<b>(\$600,000)</b>	<b>\$151,199</b>	<b>\$168,589</b>	<b>\$270,818</b>	<b>\$270,910</b>	<b>\$261,516</b>
					IRR: 15%	NPV: \$65,288.14

Payroll Option 4 E-Center With PeopleSoft Upgrade						
	Initial Investment	Year 1	Year 2	Year 3	Year 4	Total
Savings		\$869,477	\$886,867	\$904,604	\$922,696	\$3,583,644
Revenue						
Solution Investment	(\$1,732,478)	(\$718,278)	(\$718,278)	(\$633,786)	(\$651,786)	(\$4,454,606)
<b>Net Impact</b>	<b>(\$1,732,478)</b>	<b>\$151,199</b>	<b>\$168,589</b>	<b>\$270,818</b>	<b>\$270,910</b>	<b>(\$870,962)</b>
					IRR: -22%	NPV: (\$1,067,189. 86)

**Success depends on strong contract negotiations and management.**

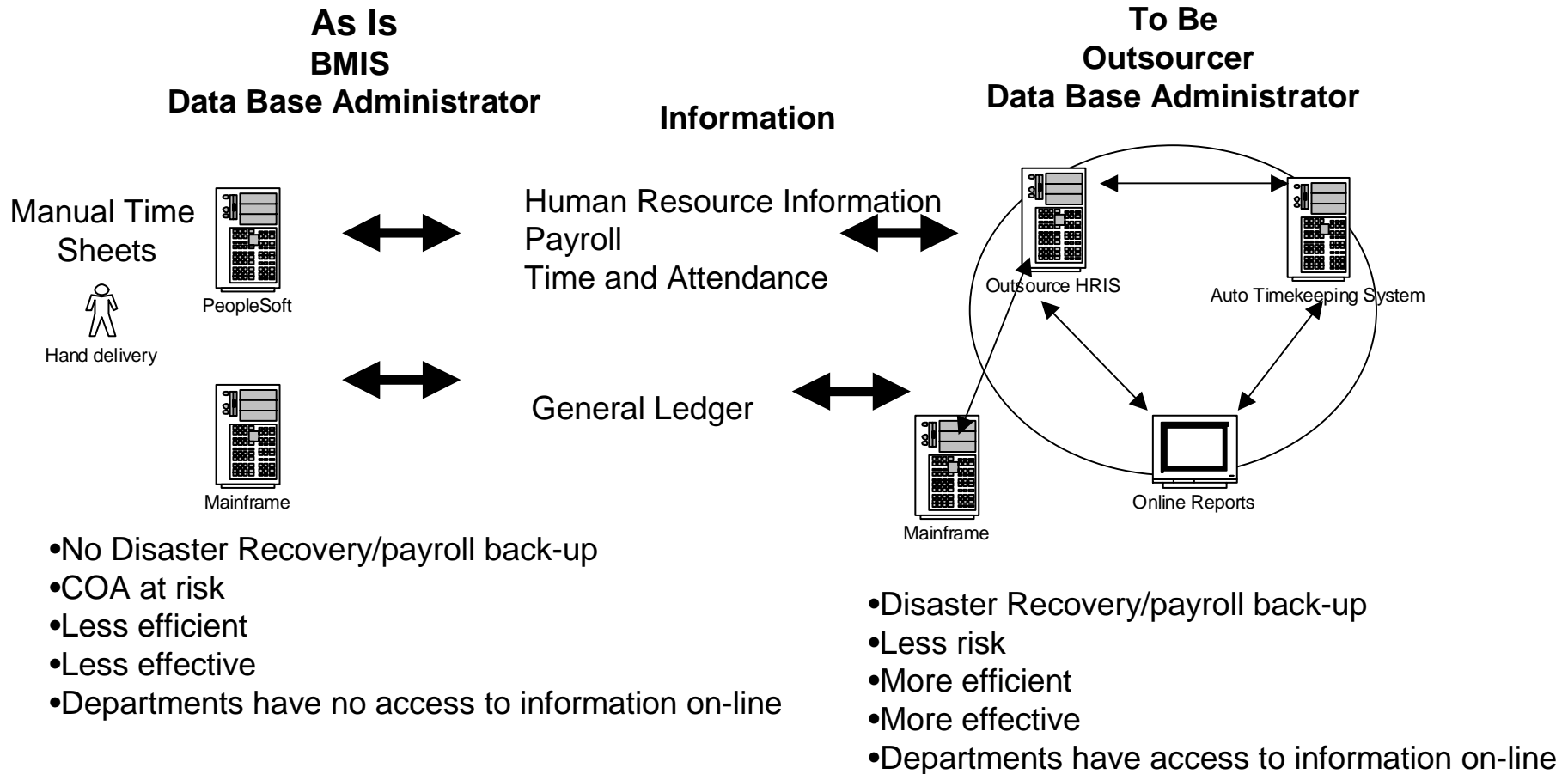
**Critical Success Factors:**

- Design effective RFP & negotiation skills to acquire an attractive contract
- Rigorous management oversight of contract
- Appropriate vendor relationships
- Thorough up-front planning
- A designated individual responsible for project success
- Ability/resources to implement and run an automated technology solution



# Success depends on the selection and management of HRIS outsourcer.

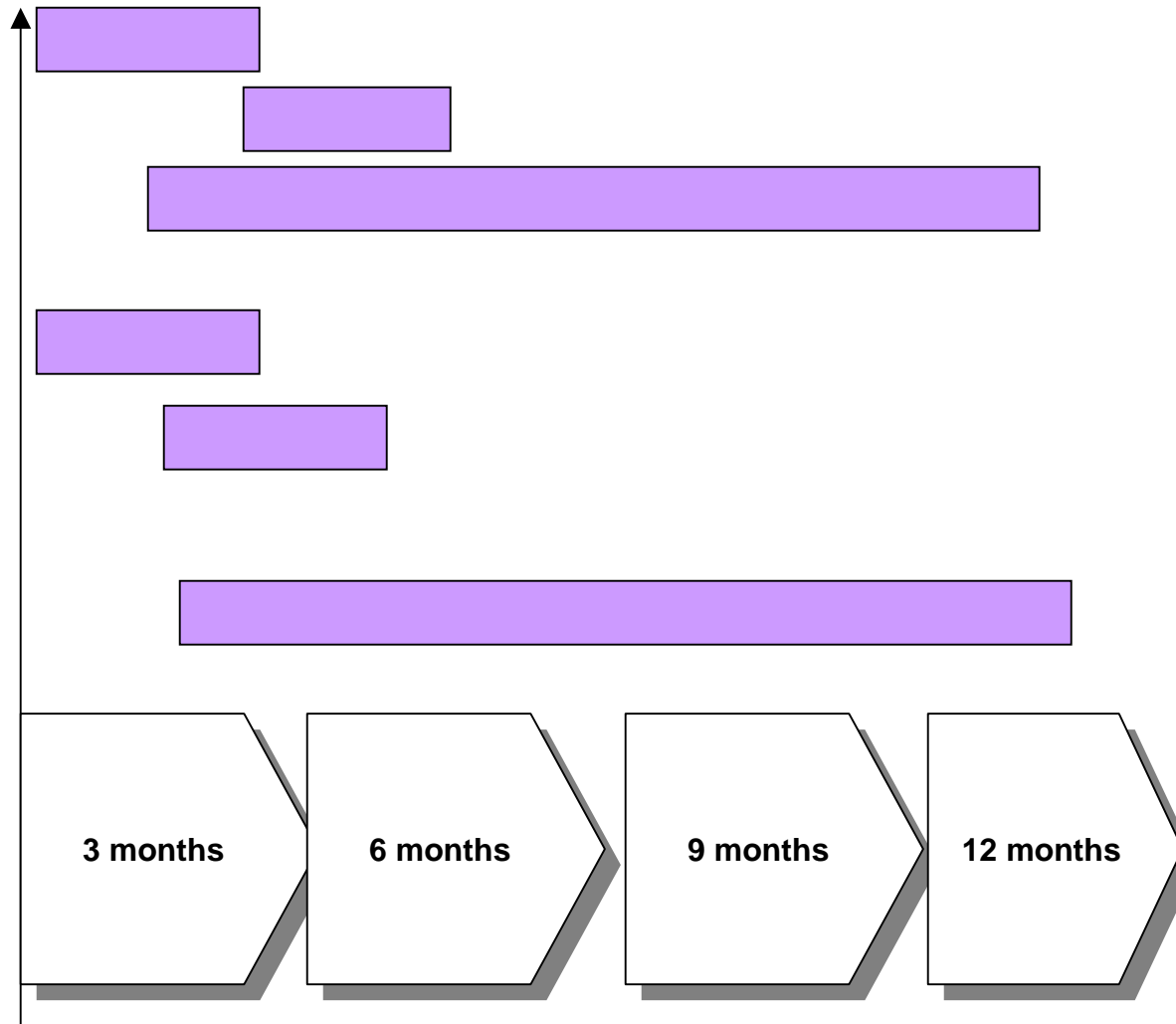
Payroll



## Implementation will take 12 months.

- RFP Payroll
- Procure Payroll
- Implement Payroll
- Scrub current HR data residing in PeopleSoft
- Migrate clean data
- Implement

Timeframe: 3 months to 1 year



## **The City needs to improve the management of its employee safety program.**

- Institute a comprehensive workers' safety program emphasizing 1) accident prevention, 2) timely audits of work sites and investigations of accidents, 3) personal and organizational accountability and 4) centralized record keeping. Prevention program should focus on:
  - Safety equipment and work zone setup
  - Standard policies and procedures
  - Reporting of near misses and potential accidents
  - Training for employees and supervisors
  - Citywide goals and metrics
- Consideration should be given to changing the policy of providing employees 6 months full salary in lieu of workers' compensation (2/3 weekly pay up to \$400 maximum).
- Outsource workers' compensation claims management and processing (medical and indemnity).
- To eliminate conflicting priorities (risk Vs production) and to increase information availability restructure safety as a centralized function of Risk Management.



**Consideration should be given to changing the policy of providing employees six months full salary in lieu of workers' compensation.**

- Rule of thumb: "A 10% increase in benefits increases aggregate payments by at least 15%."
  - Duration of temporary total disability + 2%
  - Number of claims + 3%
  - Groups more sensitive to incentives: married women, lower income workers, older workers\*
- Average City salary = \$38K (\$731/wk)
- Workers Comp Max = \$400/wk

\*Workers Compensation Research Institute

**Example: Change of Code to State Requirements after 1 month**

One Claim	Current	Code Change	Saving
1 month	\$ 2,923.08	\$ 2,923.08	\$ -
2 months	\$ 5,846.15	\$ 4,523.08	\$ 1,323.08
3 months	\$ 8,769.23	\$ 6,123.08	\$ 2,646.15
4 months	\$ 11,692.31	\$ 7,723.08	\$ 3,969.23
5 months	\$ 14,615.38	\$ 9,323.08	\$ 5,292.31
6 months	\$ 17,538.46	\$ 10,923.08	\$ 6,615.38
Total	\$ 61,384.62	\$ 41,538.46	\$ 19,846.15

- Benefit Savings = (3 mo avg. claim )\$2,646
- Rule of Thumb Savings = \$ 132
- \$2,778
- Lost Time Claims 2001 = 1000
- IOJ Payroll 2001 = \$3.6M(est)
- **Potential Total Savings = \$2.8M**



**Outsourcing workers' compensation and changing some policies could generate annual savings of \$6.9M (\$2.2M Claims Management + \$4.7M High Costs Claims) and reduce future liability of the City by 30%.**

**Quantitative Benefits:**

	<b>Savings</b>	
•Hire a Third Party Administrator	\$2.2M	Through the RFP process hire a TPA and reduce new claims by 30% (received two independent opinions on claims reduction). \$8.9 reduced by 30%
	\$4.7M	Through the RFP process hire a TPA to reduce liability of high cost claims by 30%. $\$71M \times 30\% / 4$ years
•Reduce FTE	\$ 228K	Reduce Staff from 8 FTE to 2 FTE



## Invest in outsourcing workers' compensation.

Investment Current Claims processing		Investment Open Claims Liability Management (anticipated)	
Claims Analysis from WC Expert	\$200K	Initial assessment by WC Expert	\$1M
Annual Claim Charge = 1800 New Claims			
X \$500 per claim for a TPA	\$900K	Annual Investment for the TPA	\$1M

## Financial Returns

Current Claims Processing of Workers Compensation Claims							Open Workers Compensation Liability Claims						
	Initial Investment	Year 1	Year 2	Year 3	Year 4	Total		Initial Investment	Year 1	Year 2	Year 3	Year 4	Total
Savings		\$2,898,000	\$2,898,000	\$2,898,000	\$2,898,000	\$11,592,000	Savings		\$5,700,000	\$5,700,000	\$5,700,000	\$5,700,000	\$22,800,000
Revenue							Revenue						
Solution Investment	(\$200,000)	(\$899,500)	(\$600,000)	(\$550,000)	(\$550,000)	(\$2,799,500)	Solution Investment	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$1,000,000)	(\$5,000,000)
Net Impact	(\$200,000)	\$1,998,500	\$2,298,000	\$2,348,000	\$2,348,000	\$8,792,500	Net Impact	(\$1,000,000)	\$4,700,000	\$4,700,000	\$4,700,000	\$4,700,000	\$17,800,000
					IRR: 1013%	NPV: \$6,883,794.48						IRR: 470%	NPV: \$13,898,367.60

Payback will be in 4 months

Payback will be in 6 months





**Success will depend on close consultation with stakeholders.**

**Critical Success Factors:**

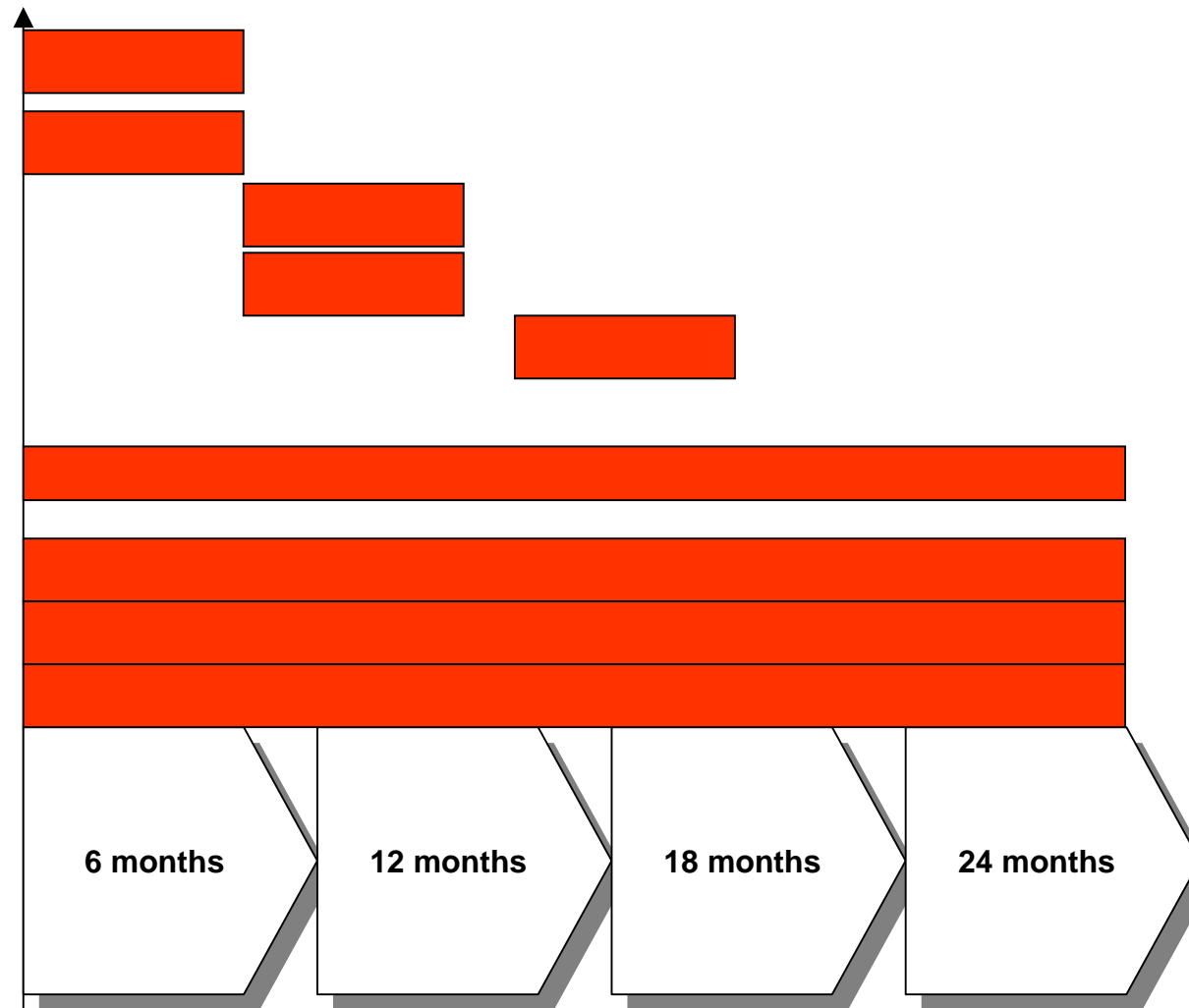
- Well written/documented performance-driven RFP
- Good vendor relationship/contract administration
- Cooperation from departments and CFO
- Close consultation with stakeholders



## Implementation will take 24 months.

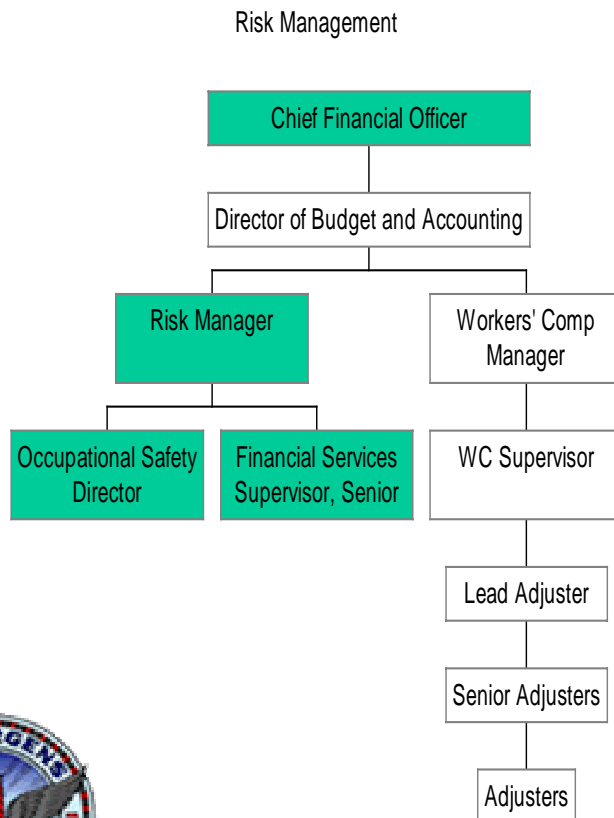
- Develop RFP to outsource WC
- Change policy re: 6 months full salary
- Develop outsource transition plan with the selected vendor
- Outsource WC
- Training for supervisors & employees
- Ongoing communications w/ all stakeholders
- Restructure Risk Management
- Centralize safety personnel
- Develop new policies & procedures based on prevention & loss control

Timeframe: 6 months to 2 years



## Recommend a revised structure for Risk Management.

### As Is Structure



### To Be Structure



\* Director of Occupational Safety would serve as member of HR Officers Policy Council



**Employee Separation process will be automated with the pay rules that will reside in the automated timekeeping system.**

Recommend:

- Departments will be accountable for the process.
- HR will also develop an exit interview process that can provide valuable information to the organization.



**No measurable quantitative benefits.**

**Qualitative Benefits:**

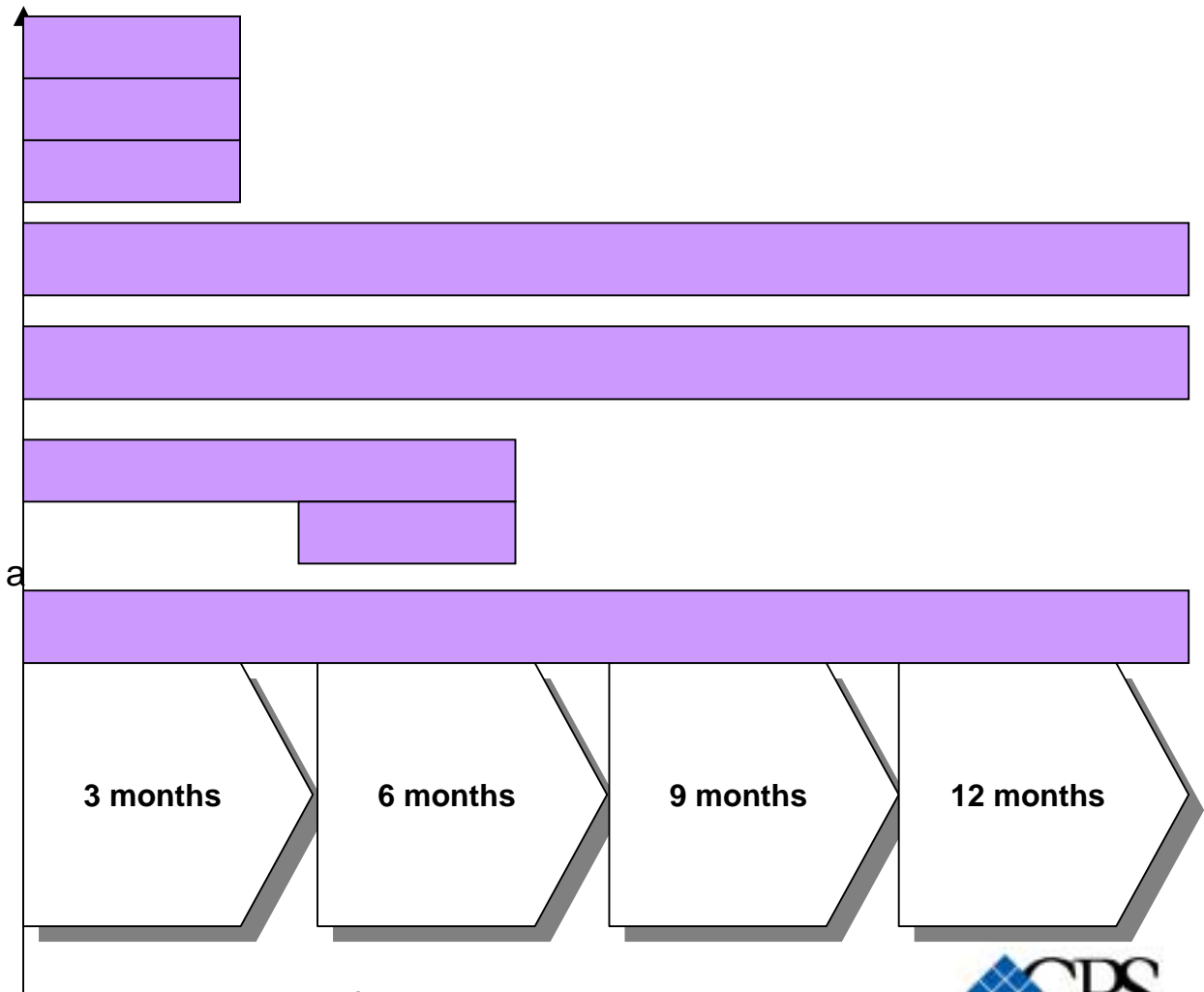
- Consistency in pay rules for all employees
- Exit interview process will establish opportunities for workforce improvements



The implementation will occur with time and attendance and payroll.

- Develop and implement exit interview process
- Ground in new policy
- DPHR process owner
- Exit pay and process will be driven by timekeeping, payroll and HRIS solution
- Procure/implement time keeping, payroll and HRIS solution
- Scrub current data
- Migrate clean data
- Implement one department at a time

Timeframe: 3 months to 1 year



# HR Process Review Implementation

Process	DPHR	Finance	Departments
Plan & Manage	L	S	P
Class & Comp	L	L	P
Training	L	S	P
Performance	L	S	P
Career Planning	L	S	P
Time & Attend	S	L	P
Payroll & Sep.	S	L	P
Safety & WC	S	L	P

L	Lead role
S	Support role
P	Primary impact

Implementation will be hampered by the impact of all solutions on the departments and their ability or rate of absorbing change.



## Implementation Chart

### Lead - Finance

- Time and Attendance

12 Months

- Payroll

12 Months

- Employee Separation

12 Months

- Class & Compensation (TAD Processing)

12 Months

- Safety & Workers' Compensation

24 Months

### Lead - DPHR

- Plan and Manage

3 - 12 Months

- Compensation Study

12 - 36 Months

- Training

3 - 12 months

- Performance

24 Months

- Career Planning

24 Months

1 - 6 months

7 - 12 months

13 - 18 months

19 - 24 months

25 - 36 months

